

## **BOARD ACTION MEMORANDUM**

<b>TO:</b> NCUA Board	<b>DATE:</b> April 25, 2003
<b>FROM:</b> Director, Office of Corporate Credit Unions	<b>SUBJ:</b> Adoption of final Corporate Federal Credit Union Bylaws

**ACTION REQUESTED:** NCUA Board approval to adopt the final Corporate Federal Credit Union Bylaws.

**DATE ACTION REQUESTED:** May 22, 2003

**OTHER OFFICES CONSULTED:** Office of General Counsel

**VIEWS OF OTHER OFFICES CONSULTED:** Concurred

**PROVIDED TO OFFICE OF INSPECTOR GENERAL FOR REVIEW:** Yes

**BUDGET IMPACT, IF ANY:** None

**RESPONSIBLE STAFF MEMBERS:** Director Kent Buckham and Corporate Program Specialist John Sozanski.

### **SUMMARY:**

The Corporate Federal Credit Union Bylaws (Bylaws) have not been formally updated since 1983. In the past 20 years significant regulatory, economic and institutional changes have taken place. On December 27, 2002, NCUA issued proposed Bylaws for comment. NCUA received ten comments in response to the request. The commenters were generally supportive of the proposal, raising minor issues. A number of the recommendations are incorporated into the final revisions to the Bylaws. The final revisions reflect the current legal and financial environment within which corporate credit unions operate.

The final Bylaws are drafted in plain English and delete provisions in the existing Bylaws that are outdated. Those provisions that are operational or addressed in law or regulations were also deleted, unless it was determined that because of their importance they should remain in the Bylaws. The final revisions modernize the Bylaws, recognizing technological advances utilized by corporate credit unions.

**RECOMMENDED ACTION:** NCUA Board adopt the final Corporate Federal Credit Union Bylaws.

## **NATIONAL CREDIT UNION ADMINISTRATION**

### **Corporate Federal Credit Union Bylaws**

**AGENCY:** National Credit Union Administration (NCUA).

**ACTION:** Final Corporate Federal Credit Union Bylaws.

**SUMMARY:** NCUA is updating the corporate federal credit union (FCU) bylaws. This action is necessary because several of the bylaws had become outdated or obsolete. The amendments modernize and clarify the corporate FCU bylaws.

**DATES:** The final bylaws are effective [Insert date 30 days after publication in the FEDERAL REGISTER].

**FOR FURTHER INFORMATION CONTACT:** Kent D. Buckham, Director, Office of Corporate Credit Unions (OCCU), National Credit Union Administration, 1775 Duke Street, Alexandria, Virginia 22314-3428 or telephone: (703) 518-6640.

### **SUPPLEMENTARY INFORMATION:**

#### **Background**

Section 108 of the Federal Credit Union Act (the Act) requires the NCUA Board to prepare bylaws to be used by all federal credit unions (FCUs). 12 U.S.C. 1758. The Garn-St Germain Depository Institutions Act of 1982 authorized the NCUA Board to differentiate the activities of corporate credit unions (corporates) from natural person credit unions through rules, regulations, and orders of the NCUA Board. In recognition of the unique mission and operating needs of corporates, the NCUA Board, in coordination with the corporate credit union community, developed and adopted a set of standard Corporate Federal Credit Union Bylaws (bylaws) in March of 1983. Since then, the only revisions were in 1994, when the Board revised the provisions relating to Meetings of Members and Elections. 59 FR 59357, 59361 (November 17, 1994).

NCUA issued proposed bylaws in December 2002 to update, modernize and clarify the bylaws. 67 FR 79152 (December 27, 2002). In the past 20 years, significant regulatory, economic and institutional changes have taken place. The proposed revisions to the bylaws reflected the current legal, technological, and financial environment within which corporate credit unions operate. NCUA received ten comments to the proposal. The commenters were supportive of the proposal, but raised several minor issues.

Summary of Comments to the Proposed Corporate FCU Bylaws

On December 19, 2002, the Board issued a Notice and Request for Comment on the Corporate Federal Credit Union Bylaws. Id. The Board received ten comments regarding the proposed bylaws: four from corporate FCUs, one from an FCU, one from a state chartered credit union, three from credit union trade organizations and one from a credit union league. The commenters supported NCUA's effort in updating the bylaws. They expressed appreciation for NCUA's solicitation of comments in regard to the proposed revisions to the bylaws. Generally, those commenting commended the agency's proposal to modernize the bylaws, making them more user friendly, removing outdated items and utilizing "plain English." Two commenters suggested the dynamic working environment of corporates warrants a more frequent review of selected portions of the bylaws. Below is a summary of the comments.

### **General Areas for Review**

NCUA's request for comment states that while corporates are strongly encouraged to adopt any final revised bylaws, they are not required to do so and may instead continue to follow currently approved bylaws or adopt only portions of the revised bylaws. Six commenters supported the flexibility proposed in the supplementary information section. Five of those six commenters requested that NCUA clarify that NCUA approval is not required to adopt portions of the revised bylaws. As the Board stated in the proposed bylaws, "in an effort to achieve maximum participation," the Board will permit corporate FCUs "to adopt portions of the revised bylaws." Id. at 79153. NCUA Board approval is not required.

### **Specific Areas for Review**

#### **Article III - Membership**

##### **Members Who Leave the Field of Membership**

One commenter supported Section 4 of the proposed bylaws that states a member of a corporate may remain a member of that corporate until the person or entity withdraws or is expelled. The commenter indicated that the proposed update brings the bylaws in line with NCUA's field of membership (FOM) policy allowing federal corporates to apply for national FOMs. A trade association commenter also supported the proposed provision in this section permitting a corporate to restrict services to a member no longer in the FOM and addressing the termination of membership in the case of a member of a corporate converting to another form of financial institution. This section is retained as proposed.

#### **Article IV – Shares of Members**

##### **Par Value**

One commenter opposed the proposed revision in Section 1 that eliminates the alternative of paying for a share in a corporate in installments and instead requires the purchase of a share to be made at the time of subscription. The commenter urged NCUA to retain the current bylaw provision giving credit unions the option to pay for corporate shares either in installments or at the time of subscription. The Board considered the comment but because for corporates, the business practicality of permitting the payment of shares in installments is unduly burdensome, it is retaining this revision as proposed.

## **Article V – Meetings of the Members**

### Special Meetings and Quorum

One commenter supported the provisions that relax both member requirements for calling a special meeting (Section 3) and establishing a quorum (Section 4). The commenter indicated that these proposed provisions will provide member credit unions with greater opportunity to provide input into decisions on special matters as they arise. This section is retained as proposed.

## **Article VI – Elections**

### Selection of Nominating Committee

In Section 1 of this article, the Board proposed changing the term “candidate” to the term “member” in regard to nominating parties for vacant positions relative to elections. One commenter, a corporate credit union opposed the change in terms. The commenter noted its corporate does not have any members who are natural persons. All of the corporate’s members are organizational members. The commenter believes the proposed change in terms would mean the corporate’s nominating committee would be required to nominate a credit union or other organizational member for each upcoming vacancy on the board of directors. The Board agrees with the corporate’s concern and will reinstate the term “candidate” in the final version of the revised bylaws.

### Election Conduct

Five commenters supported the addition of electronic balloting, one citing that it will enhance efficiency of the operations of corporates. This section is retained as proposed.

### Voting by Trustee

Section 4 prohibits voting by proxy and permits a member other than a natural person to vote through a designated agent. The Board is deleting the sentence that prohibits voting by a trustee because it has no applicability to corporates.

## Reporting of Appointments and Election Results

Two commenters disagreed with the proposed addition of Section 5 to this article. It requires corporates to notify NCUA of the names and addresses of certain officials and committee members. The commenters believe that the requirement is important but adequately addressed in the Federal Credit Union Act and need not be duplicated in the bylaws. This section was adapted from the Federal Credit Union (FCU) Bylaws for natural person FCUs. FCU Bylaws, Article V, Section 6, October 1999. The Board considered the comment but believes that this issue is of sufficient importance to warrant its inclusion in the bylaws. The Board is retaining this revision as proposed.

## **Article VII – Board of Directors**

### Number

One commenter suggested a revision to the proposed wording of Section 1. The first sentence states: “The board consists of \_\_\_\_\_ members elected from among the members and/or designated representatives of members.” The corporate proposed changing the “and/or” to “and”. The commenter believes that the proposed change reflects the current practice of corporates to have a certain number of board members who are also designated representatives of members. The Board considered the corporate’s comment but believes the current provision provides needed flexibility. The Board is retaining this section of the bylaws as proposed.

### Suspension of Supervisory Committee Members

One commenter suggested a revision to the proposed wording of Section 8. Section 8 provides that members of a corporate will decide, at a special meeting held not fewer than 7 nor more than 14 days after the suspension of a supervisory committee member whether the member will be removed or restored. The corporate believes that the 14 day time frame is far too short to provide adequate notice to members of a special meeting and recommends increasing this time frame to 30 days. The Board is not persuaded by the rationale offered, given the current technological alternatives available for providing timely notification. The Board is retaining this section of the bylaws as proposed.

### Miscellaneous

Three commenters are concerned about corporate employees leaving the company’s employ and then running for the corporate board. The basis for the concern is that former employees possess inside information and could potentially use this knowledge to inappropriately influence other board members. The commenters suggested NCUA consider adding a bylaw provision to this article that would prohibit employees from serving on the corporate’s board of directors for a minimum of two years after termination of employment. The Board considered the comments and concluded that it is not appropriate to limit through a standard bylaw, those individuals who are eligible to run for election. The Board believes this issue can be addressed through the request and approval of a nonstandard bylaw amendment if it is of particular concern to an individual corporate.

## **Article VIII – Board of Directors, Executive Committee, Asset/Liability Management Committee (ALCO), and Management Staff**

### Board Officers

Section 1 of this article identifies the titles of the board officers of a corporate. The titles include “executive officer” and “assistant executive officer”. The proposed revision to Article VII, Section 4, includes the terms “chair” and “ranking vice-chair” when referring to board officers. Four commenters recommended that the terms be amended in this Article to eliminate confusion in circumstances where corporate credit union presidents are often corporate credit union chief executive officers as well. The Board agrees. Revisions have been made to the applicable sections eliminating confusion relative to board officer titles.

### Financial Officer

Section 5 provides that the financial officer is responsible for the management of the corporate unless the board employs a separate management official. A commenter noted that in the FCU Bylaws, it states that “the financial officer manages this credit union under the control and direction of the board, unless the board has appointed a management official to act as general manager.” FCU Bylaws, Article VII, Section 6 (emphasis added). The commenter explained that the underlined language is missing from NCUA’s proposed revision to the corporate federal credit union bylaws. Due to the complexity of today’s corporate credit union operations, the commenter is concerned about a board member having the power to also manage the corporate. The commenter strongly recommended that the underlined language from the FCU Bylaws be inserted into this section. It is pertinent to note that in Section 6, Manager Other than Financial Officer, the underlined language is included. The Board agrees with the commenter and the underlined phrase will be inserted into Section 5.

### Manager Other than Financial Officer

Section 6 of this article allows the board to employ a management official who is not a member of the board. Two commenters are concerned about a corporate board member becoming chief executive officer of a corporate credit union immediately after stepping down from the board. They believe the bylaws should prohibit this activity because of the potential for conflicts between the board member and the corporate’s remaining management and the potential undue influence that such a board member might exert on the decision to terminate the prior chief executive officer. The commenters suggested NCUA consider a proposed revision prohibiting this activity. They suggested adopting as part of the corporate bylaws a 1991 standard bylaw amendment for natural person FCUs that states “no director may be a paid employee of the credit union for a minimum of 2 years from the date the official terminates his/her position as a director unless the employee position to be filled exists as the result of a death or disability”. Federal Credit Union Standard Bylaw Amendments and Guidelines, October 1991. This provision is not in the current version of the FCU Bylaws for natural person credit unions. The Board considered the comments and concluded that, rather than having this restrictive policy apply to all corporates, this issue should be addressed through the request and approval of a nonstandard bylaw amendment if it is of particular concern to an individual corporate.

## **Article X – Supervisory Committee**

### **Suspension of Directors, Executive Officers or Credit Committee Members**

The commenter suggesting a revision to the timing for notices in current and proposed Article VII, Section 8 recommended a corresponding change to Section 5 of this article. Section 5 provides that the members of a corporate will decide, at a special meeting held not fewer than 7 nor more than 14 days after the supervisory committee suspends a director, executive officer, or member of the credit committee, whether the director, officer or member will be removed or restored. The commenter believes that the 14-day time frame is far too short to provide adequate notice to members of a special meeting and recommends increasing this time frame to 30 days. The Board is not persuaded by the rationale offered given the current technological alternatives available for providing timely notification. The Board is retaining this section of the bylaws as proposed.

### **Article XII – Operations Following an Attack on the United States or Catastrophic Occurrence Otherwise Rendering the Corporate Credit Union Inoperable**

One commenter recommended deleting this provision of the bylaws to mirror the deletion made to the FCU Bylaws for natural person credit unions in October 1999. Another commenter, a trade association, remarked that its members do not believe this provision should be a bylaw topic. Both commenters believe contingency planning efforts are better left as an operational and supervisory issue rather than in a bylaw. The Board considered the comments but believes that this issue is of sufficient importance to warrant its inclusion in the bylaws. The Board is retaining this revision as proposed.

One commenter supported the addition of the “catastrophic occurrence or contingency situation” since they see that type of occurrence to be more likely to cause serious disruption of services than an attack on the United States. Another commenter, a trade association supported NCUA’s provision regarding contingency planning in the event of attack on the United States or other catastrophic event. These sections are retained as proposed.

### **Contingency Plan**

One commenter specifically disagreed with the addition of the (third) new section that requires the corporate credit union to maintain and periodically test an organization-wide contingency plan. The corporate believes this requirement is an operational matter that is adequately addressed in §704.4(a) and (b) of the regulations. 12 CFR 704.4(a) and (b). The Board believes that this issue is of sufficient importance to warrant its inclusion in the bylaws. The Board is retaining this revision as proposed.

### **Indemnification**

Four commenters suggested addressing indemnification in the bylaws. While this issue is addressed in Section 701.33(c) of the NCUA Rules and Regulations, two corporates commenting on this issue had adopted an indemnification (nonstandard bylaw amendment) provision in their bylaws. The corporates' rationale for adopting an indemnification bylaw was to guard against the possibility that, after a dispute at the corporate that led to the departure of directors or other indemnified officials, a subsequent board of directors might try to eliminate the indemnification rights of the departed personnel through changing policy. If the indemnification provisions are set forth in the bylaws, any such retroactive removal of the provision would have to be approved by NCUA. The Board believes that this issue is of sufficient importance to warrant its inclusion in the bylaws. The final revised bylaws include an indemnification provision modeled after the FCU Bylaws.

### **Agency Publication of Final Bylaws and Adoption by Corporates**

The final bylaws provide a user friendly document for the internal governance of corporate FCUs. Every effort was made to use plain English in the bylaws. The final bylaws are identical to the proposed bylaws except as noted above in the summary of comments. A table of contents will be provided in the agency's publication of the bylaws that is distributed to corporates.

Corporate FCUs are strongly encouraged to adopt the final revised bylaws, but are not required to do so and may continue to use their previously approved bylaws. The Board, in an effort to achieve maximum participation by corporate FCUs, will allow them to adopt portions of the revised bylaws, if a corporate FCU finds that adoption of the entire revised bylaws is impracticable. The Board cautions corporate FCUs adopting only a portion of the revised bylaws to use extreme care because they run the risk of having inconsistent or conflicting bylaw provisions. Although the Act requires corporate FCUs to use the bylaws published by NCUA, corporate FCUs will continue to have the flexibility to request a nonstandard bylaw amendment if the need arises. 12 U.S.C. 1758. A corporate FCU must obtain approval from the Director of OCCU to adopt a nonstandard bylaw.

By the National Credit Union Administration Board on May 22, 2003.

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Becky Baker  
Secretary of the Board

## **BYLAWS**

### **Federal Credit Union, Charter No. \_\_\_\_\_**

### **(A corporation chartered under the laws of the United States)**

#### ARTICLE I. Definitions



Section 1. When used in these bylaws the terms:

- (a) "Act" means the Federal Credit Union Act, as amended.
- (b) "Administration" means the National Credit Union Administration.
- (c) "Regulation" or "regulations" means rules and regulations issued by the National Credit Union Administration.
- (d) "Share" or "shares" means any amount deposited for the credit of a member or other account holder and includes, but is not limited to, share accounts, share certificate accounts, share draft accounts, and nonmember accounts (however denominated) permitted by law.
- (e) "Board" means board of directors of this corporate credit union.

Section 2. If included in the definition of the field of membership in the organization certificate (charter) of this corporate credit union, the term or expression "organizations of such members" means an organization or organizations composed of entities that are within the field of membership of this corporate credit union.

## ARTICLE II. Name-Purposes

Section 1. The name of this corporate credit union is as stated in Section 5 of the charter (approved organization certificate) of this corporate credit union.

Section 2. The purpose of this corporate credit union is to foster and promote the economic well-being, growth and development of its members through effective funds management, interlending, investment services and such other activities and services that may be beneficial to its members and are authorized by Act and regulations.

## ARTICLE III. Membership

Section 1. The field of membership of this corporate credit union is limited to that stated in Section 5 of its charter.

Section 2. Applications for membership eligibility under Section 5 of the charter must be signed by the applicant on forms approved by the board. Upon approval of the application and upon subscription to a share with par value as established by the board in Article IV and the payment of a uniform entrance fee, if required by the board, the applicant is admitted to membership. Applications must be approved by a majority of the directors, a majority of the members of a duly authorized executive committee, or by a membership officer. If a membership application is denied, the reasons must be furnished in writing to the applicant upon written request.

Section 3. Membership of any member whose account contains less than the minimum required in Article IV, Section 1 may be terminated in accordance with procedures established by the board of directors.

Section 4. Once a person or entity becomes a member that person or entity may remain a member until the person or organization chooses to withdraw or is expelled in accordance with the Act. **A corporate credit union that wishes to restrict services**

**to members no longer within the field of membership should specify the restrictions in this section.** In the case of a member credit union that converts to another form of financial institution outside the field of membership, membership ceases at a mutually agreeable time not to exceed six months from the conversion date.

Section 5. A member may be expelled only in the manner provided by the Act.

#### Article IV. Shares of Members

Section 1. The par value of each share will be \_\_\_\_\_ (as determined by the board) and payable at the time of the subscription.

Section 2. Shares of a member may be transferred among the member's accounts or to another member in such manner as the board may prescribe.

Section 3. Unless otherwise provided by the board, shares may be withdrawn on any day when payment on shares may be made; provided that no member may withdraw shareholdings that are pledged as required security on loans without the written approval of the credit committee or a loan officer, except to the extent that such shares exceed the member's total primary and contingent liability to the corporate credit union.

#### ARTICLE V. Meetings of Members

Section 1. The annual meeting of the members must be held at such time and place as the board will determine and announce in the notice prescribed in section 2 of this Article.

Section 2. At least 75 days before the date of any annual meeting or 10 days before the date of any special meeting of the members, the secretary must give written notice to each member appearing on the records of this corporate credit union. Such notice must state the date, time, and location of the meeting and such other information as the board of directors determine consistent with these bylaws. Any meeting of the members, whether annual or special, may be held without prior notice, at any place or time, if all the members entitled to vote, who are not present at the meeting, waive notice in writing, before, during, or after the meeting. The notice for the annual meeting will advise the members of the deadlines for elections.

In the case of members who have previously consented to the electronic delivery of documents, said notice may be sent by electronic mail to the e-mail address that appears on the records of the corporate credit union.

Section 3. Special meetings of the members may be called by the chair or the supervisory committee as provided in these bylaws, or by applicable law or regulation, and may be held at any place permitted for the annual meeting. A special meeting must be called by the chair within 45 days of receipt of a request of 5 percent of the members as of the day of request; provided that a request of no more than 100 members is required. Notice must be given as provided in section 2 of this article and must state the purpose for which it is to be held. No business other than that related to this purpose may be transacted at the meeting.

Section 4. The lesser of 15 members or 20 percent of the membership constitutes a quorum at any annual or special meeting. If a quorum is not present on the date first designated for the meeting, an adjournment may be taken to a date not fewer than 7 days or more than 30 days thereafter, and a second notice will be given to all members setting forth the date, time, and place of the adjourned meeting. The members then present constitute a quorum, regardless of the number of members present.

#### ARTICLE VI. Elections

Section 1. At least 120 days before each annual meeting, the board of directors will appoint a nominating committee of not fewer than three members. It is the duty of the nominating committee to nominate at least one candidate for each vacancy, including any unexpired term vacancy, for which elections are being held, and to determine that the candidates nominated are agreeable to the placing of their names in nomination and will accept office if elected. The nominating committee files its nominations with the secretary of the corporate credit union at least 90 days prior to the annual meeting, and the secretary notifies in writing all members eligible to vote at least 75 days prior to the annual meeting that nominations for vacancies may also be made by petition signed by 5 percent of the members with a minimum of 5 and a maximum of 100.

Notice may be accomplished as prescribed in Article V, Section 2.

The written notice must indicate that the election will not be conducted by ballot and there will be no nominations from the floor when there is only one nominee for each position to be filled. A brief statement of qualifications and biographical data in a form approved by the board of directors will be included for each nominee submitted by the nominating committee with the written notice to all eligible members. Each nominee by petition must submit a similar statement of qualifications and biographical data with the petition. The written notice must state the closing date for receiving nominations by petition. In all cases, the period for receiving nominations by petition must extend at least 30 days from the date of the petition requirement and the list of nominating committee's nominees are mailed to all members. To be effective, such nominations must be accompanied by a signed certificate from the nominee or nominees stating that they are agreeable to nomination and will serve if elected to office. Such nominations must be filed with the secretary of the corporate credit union at least 40 days prior to the annual meeting.

In carrying out their responsibilities, the nominating committee and board of directors must ensure that the requirements of §704.14 (a) of the regulations are satisfied.

Section 2. All elections are determined by plurality vote. All elections will be by electronic device or mail ballot, subject to the following conditions:

- (a) The election tellers will be appointed by the board of directors;
- (b) If sufficient nominations are made by the nominating committee or by petition to provide more than one nominee for any position to be filled, the secretary, at least 30 days prior to the annual meeting, will cause either a printed ballot or notice of ballot to be mailed to all members eligible to vote;
- (c) If the corporate credit union is conducting its elections electronically, the secretary will cause the following materials to be mailed to each eligible voter and the following procedures will be followed:
  - (1) One notice of balloting stating the names of the candidates for the board of directors and the candidates for other separately identified offices or committees are printed in order as determined by the draw of lots. The name of each candidate must be followed by a brief statement of qualifications and biographical data in a form approved by the board of directors.
  - (2) One instruction sheet stating specific instructions for the electronic election procedure, including how to access and use the system, and the period of time in which votes will be taken. The instruction will state that members without the requisite electronic device necessary to vote on the system may vote by mail ballot upon written or telephone request and specify the date the request must be received by the corporate credit union.
  - (3) It is the duty of the tellers of election to verify, or cause to be verified the name of the voter and the corporate credit union account number as they are registered in the electronic balloting system. It is the duty of the tellers to test the integrity of the balloting system at regular intervals during the election period.
  - (4) Ballots must be received no later than midnight 5 calendar days prior to the annual meeting.
  - (5) Voting will be closed at the midnight deadline specified in subsection (4) hereof and the vote will be tallied by the tellers. The result must be verified at the annual meeting by the secretary and the chair will make the result of the vote public at the annual meeting.
  - (6) In the event of malfunction of the electronic balloting system, the board of directors may in its discretion order elections be held by mail ballot only. Such mail ballots must conform to section 2(d) of this Article and must be mailed to all eligible members 30 days prior to the annual meeting. The board may make reasonable adjustments to the voting time frames above, or postpone the annual meeting when necessary, to complete the elections prior to the annual meeting.
- (d) If the corporate credit union is conducting its election by mail ballot, the secretary will cause the following materials to be mailed to each member and the following procedures will be followed:
  - (1) One ballot, clearly identified as such, on which the names of the candidates for the board of directors and the candidates for other separately identified offices or committees are printed in order as determined by the draw of lots. The name of each

candidate will be followed by a brief statement of qualifications and biographical data in a form approved by the board of directors.

(2) One ballot envelope clearly marked with instructions that the completed ballot must be placed in that envelope and sealed.

(3) One identification form to be completed so as to include the name, address, signature and corporate credit union account number of the voter.

(4) One mailing envelope in which the voter, pursuant to instructions provided with the mailing envelope, must insert the sealed ballot envelope and the identification form, and which must have postage prepaid and be preaddressed for return to the tellers.

(5) When properly designed, one form can be printed that represents a combined ballot and identification form, and postage prepaid and preaddressed return envelope.

(6) It is the duty of the tellers to verify, or cause to be verified, the name and corporate credit union account number of the voter as appearing on the identification form; to place the verified identification form and the sealed ballot envelope in a place of safekeeping pending the count of the vote; in the case of a questionable or challenged identification form, to retain the identification form and sealed ballot envelope together until the verification or challenge has been resolved.

(7) Ballots mailed to the tellers must be received by the tellers no later than midnight 5 days prior to the date of the annual meeting.

(8) Voting will be closed at the midnight deadline specified in subsection (7) hereof and the vote will be tallied by the tellers. The result will be verified at the annual meeting by the secretary and the chair will make the result of the vote public at the annual meeting.

Section 3. Nominations may be in the following order:

(a) Nominations for directors;

(b) Nominations for credit committee members, if applicable; elections may be by separate ballots following the same order as the above nominations or, if preferred, may be by one ballot for all offices.

Section 4. Members cannot vote by proxy, but a member other than a natural person may vote through an agent designated in writing for the purpose. No voting representative may serve as a voting representative of more than one member. Irrespective of the number of shares, no member has more than one vote.

Section 5. The names and addresses of members of the board, board officers, executive committee, and members of the credit committee, if applicable, and supervisory committee must be forwarded to NCUA in accordance with the Act and regulations in the manner as may be required by NCUA.

#### ARTICLE VII. Board of Directors

Section 1. The board consists of \_\_\_\_\_ members elected from among the members and/or designated representatives of members. The number of directors may be changed to an odd number not fewer than five by resolution of the board. No reduction in the number of directors may be made unless corresponding vacancies exist as a result of deaths, resignations, expiration of terms of office, or other actions provided by these bylaws. A copy of the resolution of the board covering any increase or decrease

in the number of directors must be filed with the official copy of the bylaws of this corporate credit union.

Section 2. Regular terms of office for directors must be periods of either 1, 2 or 3 years as the board determines; provided that all regular terms must be for the same number of years and until the election and qualification of successors. The regular terms must be fixed at the beginning, or upon any increase or decrease in the number of directors, so that approximately an equal number of regular terms must expire at each annual meeting.

Section 3. Any vacancy on the board, credit committee, or supervisory committee will be filled by vote of a majority of the directors then holding office. Directors and credit committee members so appointed will hold office only until the next annual meeting, at which any unexpired terms will be filled by vote of the members, and until the qualification of their successors. Members of the supervisory committee so appointed will hold office until the first regular meeting of the board following the next annual meeting of members at which the regular term expires and until the appointment and qualification of their successors.

Section 4. A regular meeting of the board must be held each month at the time and place fixed by resolution of the board. One regular meeting each calendar year must be conducted in person. If a quorum is present in person for the annual in person meeting, the remaining board members may participate using audio or video teleconference methods. The other regular meetings may be conducted using audio or video teleconference methods. At least 7 days prior to each meeting, the secretary will cause the following information to be distributed to each director:

- (a) Minutes of the last meeting;
- (b) Reports of officers, standing committees, or of any special committee;
- (c) Special orders, or matters which have been assigned priority; and
- (d) Any written information on unfinished business or new business that has been given to the secretary by any director.

Each participant of a teleconference meeting at the next regularly convened meeting of the board at which the participant is present must sign minutes of audio or video teleconference meetings.

The chair, or in the chair's absence the ranking vice chair, may call a special meeting of the board at any time and must do so upon written request of a majority of the directors then holding office. Unless the board prescribes otherwise, the chair, or in the chair's absence the ranking vice chair, will fix the time and place of special meetings. Notice of all meetings will be given in such manner as the board may from time to time by resolution prescribe. Special meetings may be conducted using audio or video teleconference methods.

Section 5. The board has the general direction and control of the affairs of this corporate credit union and is responsible for establishing programs to achieve the purposes of this corporate credit union as stated in Article II, section 2, of these bylaws.

While the board may, as authorized in the bylaws, delegate the performance of administrative duties, the board is not relieved from its responsibility for their performance.

Section 6. A majority of the number of directors constitutes a quorum for the transaction of business at any meeting thereof, but fewer than a quorum may adjourn from time to time until a quorum is in attendance.

Section 7. If a director or credit committee member fails to attend three consecutive regular meetings of the board or credit committee; respectively, or otherwise fails to perform any of the duties devolving upon him/her as a director or credit committee member, his/her office may be declared vacant by the board and the vacancy filled as herein provided. The board may remove any board officer from office for failure to perform the duties thereof, after giving the officer reasonable notice and opportunity to be heard.

When any board officer, membership officer, executive committee member, or Asset/Liability Management Committee (ALCO) member, or credit committee member is absent, disqualified, or otherwise unable to perform the duties of his/her office, the board may, by resolution, designate another member of this corporate credit union to act temporarily in his/her place. The board may also, by resolution, designate another member or members of this corporate credit union to act on these committees, when necessary, in order to attain a quorum.

Section 8. Any member of the supervisory committee may be suspended by a majority vote of the board of directors. The members of this corporate credit union will decide, at a special meeting held not fewer than 7 nor more than 14 days after any such suspension, whether the suspended committee member will be removed from or restored to the supervisory committee.

Section 9. No member of the board of directors may receive any compensation or benefit solely as a result or by virtue of service as a member of the board of directors except for reimbursement for reasonable expenses incurred in the performance of official duties and as provided for in Article VIII of these bylaws.

Section 10. The board of directors will determine that monthly financial statements are prepared showing the condition of this corporate credit union. These financial statements will be readily available to members on a monthly basis in a manner deemed appropriate by the board.

#### ARTICLE VIII. Board Officers, Executive Committee, Asset/Liability Management Committee (ALCO), and Management Staff

Section 1. The board officers of this corporate credit union are comprised of a chair, one or more vice chairs, a financial officer, and a secretary, all of whom will be elected

by the board and from their number. The board will determine the title and rank of each board officer and record them in the addendum to this article. One board officer, the \_\_\_\_\_, may be compensated for his/her services to such extent as may be determined by the board. If more than one vice chair is elected, the board will determine their rank as first vice chair, second vice chair, and so on. The offices of financial officer and secretary only may be held by the same person. Unless removed as provided in these bylaws, the officers elected at the first meeting of the board will hold office until the first meeting of the board following the first annual meeting of the members and until the election and qualification of their respective successors.

Section 2. Board officers will be elected at the first meeting of the board following the annual meeting of the members, which must be held not later than 7 days after the annual meeting. The elected officers will hold office until the first board meeting following the next annual meeting of the members and until the election and qualification of their respective successors; provided that any person elected to fill a vacancy caused by the death, resignation, or removal of an officer is elected by the board to serve only for the unexpired term of such officer and until a successor is duly elected and qualified.

Section 3. The chair will call and will preside at all meetings of the members and at all meetings of the board unless disqualified through suspension by the supervisory committee. The chair also performs such other duties as customarily appertain to the office of the chair or as may be directed to perform by resolution of the board not inconsistent with the Act and regulations and these bylaws.

Section 4. The available ranking vice chair has and may exercise all the powers, the authority, and the duties of the chair during the chair's absence or inability to act.

Section 5. Unless the board employs a separate management official, the financial officer is responsible for the management of the corporate credit union under the control and direction of the board and has such authority and such powers as delegated by the board to conduct business from day to day. If actually managing the corporate credit union, the financial officer may be compensated as may be determined by the board. The financial officer may employ or designate one or more assistants, as well as other employees, and may authorize them to perform any of the duties devolving on the financial officer, including the signing of checks. When so designated by the financial officer or the board, any assistant may also act as financial officer during the temporary absence of the financial officer or in the event of the financial officer's inability to act.

Section 6. The board may employ a management official who is not a member of the board and who is under the direction and control of the board, and has all of the duties, powers, rights and responsibilities of the financial officer described in Section 5. The board determines the title and the rank of each management official and records them in the addendum to this article.

Section 7. The secretary causes to be prepared and maintained full and correct records of all meetings of the members and of the board, which records will be prepared within 7 days after the respective meetings. The secretary promptly informs NCUA in writing of



any change in the address of the office of this corporate credit union, or the location of its principal records. The secretary gives, or causes to be given, in the manner prescribed in these bylaws, proper notice of all meetings of the members, and performs such other duties as he/she may be directed by resolution of the board not inconsistent with the Act, regulations and these bylaws.

The board may employ one or more assistant secretaries, none of whom may also hold office as chair, vice chair, or financial officer, and may authorize them under direction of the secretary to perform any of the duties devolving on the secretary.

Section 8. The board may appoint an executive committee of not fewer than three directors to act for it with respect to specifically delegated functions and subject to such limitations as prescribed by the board.

Section 9. The board may appoint one or more membership officers to approve applications for membership under such conditions as the board and these bylaws may prescribe. Such membership officer or officers may not be a person or persons authorized to disburse funds.

Section 10. The board will appoint an ALCO composed of not less than three, including at least one board member, to have charge of making investments under rules and procedures established by the board.

Section 11. No member of the executive committee, ALCO or membership officer may be compensated as such. Members of the executive committee, ALCO, and membership officers serve at the pleasure of the board of directors.

#### ADDENDUM

The title and rank of the board officers and management officials of this corporate credit union are as follows:

- (a) The chair is to have the title of \_\_\_\_\_.
- (b) The vice chair is to have the title of \_\_\_\_\_.
- (c) The financial officer is to have the title of \_\_\_\_\_.
- (d) The assistant financial officer is to have the title of \_\_\_\_\_.
- (e) The recording officer is to have the title of \_\_\_\_\_.
- (f) The assistant recording officer is to have the title of \_\_\_\_\_.
- (g) The management official is to have the title of \_\_\_\_\_.
- (h) The assistant management official is to have the title of \_\_\_\_\_.

#### ARTICLE IX. Credit Committee

Section 1. The board must determine whether or not this corporate credit union will have a credit committee, and if so, whether the committee members will be elected by the membership or appointed by the board. The board's determination is recorded in

the addendum to this Article. If this corporate credit union has a credit committee, either elected or appointed, sections 2 through 7 of this Article apply. If this corporate credit union does not have a credit committee, the board will establish by resolution the procedures for appointing loan officers, delegating authority to the loan officers, and for appeal of loan officer decisions to the board of directors in accordance with applicable law and regulation.

Section 2. The credit committee consists of \_\_\_\_\_ members. Members of the credit committee must be selected from among the members of the corporate credit union and/or the designated representatives of members or qualified corporate credit union staff. The number of members of the credit committee may be changed to an odd number not fewer than 3 nor more than 7 by resolution of the board. No reduction in the number of members may be made unless corresponding vacancies exist as a result of deaths, resignations, expiration of terms of office, or other actions provided by these bylaws. A copy of the resolution of the board covering any increase or decrease in the number of committee members must be filed with the official copy of the bylaws of this corporate credit union.

Section 3. Regular terms of office for credit committee members are for periods of either 1, 2, or 3 years as the board will determine; provided that all regular terms are for the same number of years and until the election and qualification of successors. The regular terms are fixed at the beginning, or upon any increase or decrease in the number of committee members, so that approximately an equal number of regular terms expire at each annual meeting.

Section 4. The credit committee chooses from their number a chairman and a secretary. The secretary of the committee prepares and maintains full and correct records of all actions taken by it, and such records must be prepared within 3 days after the action. The offices of chairman and of secretary may be held by the same person.

Section 5. The credit committee may, by majority vote of its members, appoint one or more loan officers to serve at its pleasure and delegate its powers to such loan officers.

Section 6. The credit committee or loan officer must inquire into the financial condition of each loan applicant. No loan or line of credit will be made unless approved by the committee or a loan officer in accordance with applicable law and regulations.

Section 7. Subject to the limits imposed by law, regulation, these bylaws, and the general policies of the board, the credit committee, or a loan officer, will determine the security, if any, required for each application and the terms of repayment.

#### ADDENDUM

(a) This corporate credit union (1) will, (2) will not (delete one) have a credit committee (date of board action \_\_\_\_\_).

(b) The members of the credit committee of this corporate credit union will be: (1) elected by the members (2) appointed by the board of directors (delete one or indicate not applicable) (date of board action \_\_\_\_\_).

#### ARTICLE X. Supervisory Committee

Section 1. The supervisory committee is appointed by the board from among the members and/or from among the members' designated representatives. The board determines the number of members on the committee, which may not be fewer than three nor more than five. No member of the credit committee or any employee of this corporate credit union may be appointed to the committee. Regular terms of committee members are for periods 1, 2, or 3 years as the board determines; provided that all regular terms are for the same number of years and until the appointment and qualification of successors. The regular terms expire at the first regular meeting of the board following each annual meeting.

Section 2. The supervisory committee members choose from among their number a chairman and a secretary. The secretary of the supervisory committee prepares, maintains, and has custody of full and correct records of all actions taken by it. The same person may hold the offices of chairman and of secretary.

Section 3. The supervisory committee causes to be made such audits and to prepare and submit such written reports to the board and the members as are required by the Act and regulations.

Section 4. The supervisory committee verifies or causes to be verified the accounts of members in accordance with the Act and regulations.

Section 5. By unanimous vote, the supervisory committee may suspend until the next meeting of the members any director, executive officer, or member of the credit committee. In the event of any such suspension, the supervisory committee will call a special meeting of the members to act on said suspension, which meeting will be held not fewer than 7 nor more than 14 days after such suspension. The chairman of the committee will act as chairman of the meeting unless the members select another person to act as chairman.

Section 6. By the affirmative vote of a majority of its members, the supervisory committee may, after notification to the board, call a special meeting of the members to consider any violation of the provisions of the Act or of the regulations, or of the charter, or of the bylaws of this corporate credit union, or to consider any practice of this corporate credit union the committee deems to be unsafe or unauthorized.

#### ARTICLE XI. General

Section 1. The officers, directors, members of committees, and employees of this corporate credit union must hold in confidence all transactions of this corporate credit

union with its members and all information respecting their business affairs, except when permitted by state or federal law.

Section 2. No director, committee member, officer, agent, or employee of this corporate credit union may participate in any manner, directly, or indirectly, in the deliberation upon or the determination of any question affecting his/her pecuniary interest or the pecuniary interest of any corporation, partnership, or association (other than this corporate credit union) in which he/she is directly or indirectly interested. In the event of the disqualification of any director respecting any matter presented to the board for deliberation or determination, such director must withdraw from such deliberation or determination and, in such event, the remaining qualified directors present at the meeting, if constituting a quorum with the disqualified director or directors, may exercise with respect to this matter, by majority vote, all the powers of the board. In the event of the disqualification of any member of the credit committee, ALCO or the supervisory committee, such committee member must withdraw from such deliberation or determination.

Section 3. The board has the right, at any time, to impose fees for such services and activities, as it deems necessary or desirable.

Section 4. (a) The corporate may elect to indemnify to the extent authorized by (check one) ( ☐ ) law of the state of \_\_\_\_\_ or ( ☐ ) Model Business Corporation Act the following individuals from any liability asserted against them and expenses reasonably incurred by them in connection with judicial or administrative proceedings to which they are or may become parties by reason of the performance of their official duties: (check as appropriate) ( ☐ ) current officials, ( ☐ ) former official, ( ☐ ) current employees, ( ☐ ) former employees.

(b) The corporate credit union may purchase and maintain insurance on behalf of the individuals indicated in (a) above against any liability asserted against them and expenses reasonably incurred by them in their official capacities and arising out of the performance of their duties to the extent such insurance is permitted by the applicable state law or the Model Business Corporation Act.

(c) The term "official" in this bylaw means a person who is a member of the board of directors, supervisory committee, other volunteer committee (including elected or appointed loan officers or membership officers) established by the board of directors.

## **ARTICLE XII. Operations Following an Attack on the United States or Catastrophic Occurrence Otherwise Rendering the Corporate Credit Union Inoperable**

Section 1. In the event of an attack upon the United States, or other catastrophic occurrence causing a contingency situation, the officers and employees of the corporate credit union will continue to conduct the affairs of the corporate credit union under such guidance from the directors as may be available and subject to conformance with any government directives during the emergency.

Section 2. In the event of an attack upon the United States, catastrophic occurrence, or a contingency situation, of sufficient severity to prevent the conduct and management of

the affairs and business of the corporate credit union by its regularly elected directors, officers, and properly constituted committees as contemplated by these bylaws, any three available members of the then incumbent board of directors will constitute a quorum of the board of directors for the full conduct and management of the affairs and business of the corporate credit union including the approval of loans to members if the regularly elected credit committee is not available. In the event of the unavailability at such time of three members of the board, the vacancies, in order to provide a quorum of three, will be filled by a succession list established by the board of directors.

Section 3. The corporate credit union will maintain and periodically test an organization-wide contingency plan that addresses all reasonable emergency and disaster scenarios.

This bylaw is subject to implementation by resolutions of the board of directors passed from time to time for that purpose, and any provisions of these bylaws (other than this section) and any resolutions which are contrary to the provisions of this section or to the provisions of any such implemented resolutions will be suspended until a regularly constituted board of directors can be obtained.

#### ARTICLE XIII. Amendments of Bylaws and Charter

Section 1. Amendments of these bylaws may be adopted and amendments of the charter may be requested by the affirmative vote of two-thirds of the authorized number of members of the board at any duly held board meeting, if the members of the board have been given prior written notice of the meeting and the notice has contained a copy of the proposed amendment or amendments. No amendment of the bylaws or charter becomes effective until approved in writing by NCUA.